

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 10, 2007
POSITION: Neutral

BILL NUMBER: SB 645
AUTHOR: L. Correa

BILL SUMMARY: Design-Build Contracts: Counties

Under current law 30 specified counties are authorized to use alternative procedures for accepting bids on building construction projects costing \$2.5 million or more if so approved by the board of supervisors. The existing authorization for cities and counties to use design-build contracts is intended to be exercised when it is anticipated that the design-build process will reduce project costs, expedite project completion, or provide design features not achievable through the design-bid-build method.

This bill would extend authorization to the Nevada County Sanitation District No. 1 to use the design-build process until January 1, 2013 for projects in excess of \$6 million.

FISCAL SUMMARY

Finance estimates this bill would have no state General Fund impact. We note that because the use of the design-build process is at the discretion of the Nevada County Board of Supervisors, no state-funded reimbursable mandate would be created.

COMMENTS

Finance notes the following with regard to this bill:

- This bill, which would have no state General Fund impact, may speed the delivery and reduce the costs of a sewage treatment plant in Nevada County.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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L. Correa

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SB 645

ANALYSIS**A. Programmatic Analysis**

Under current law 30 specified counties are authorized to use alternative procedures for accepting bids on building construction projects costing \$2.5 million or more if so approved by the board of supervisors. The existing authorization for cities and counties to use design-build contracts is intended to be exercised when it is anticipated that the design-build process will reduce project costs, expedite project completion, or provide design features not achievable through the design-bid-build method.

The Local Public Agency Construction Act establishes the design-bid-build methodology. Under this methodology, a local government first contracts with a designer to develop project plans for publicly funded facilities. The local government then submits requests for proposals (RFP) to solicit bids for construction of the project. Finally, the local government is required to award the construction contract to the lowest responsible bidder.

Under the design-build methodology, local governments may contract with general contractors to both design and build the project. Local governments may award these contracts to the lowest responsible bidder or they may award them on the basis of best-value. The best-value criteria grants primary consideration to such factors as contractor experience and history, with cost being a secondary consideration. The general contractor then selects architects and subcontractors, either through competitive bids or negotiated contract sums, to design and construct the project.

Under existing law, design-build bidders must demonstrate access to a skilled labor pool by entering into project labor agreements with apprenticeship programs which have graduated apprentices in each of the previous five years. Since virtually all apprenticeship programs of that description are union operated, non-union contractors are effectively barred from the existing county design-build process.

Those counties that have used the design-build methodology often find it more cost-effective and timely than the traditional design-bid-build method. The law permitting the use of the design-build process in those counties specifies that design-build may be used for the construction of a building and related building improvements only, and specifically prohibits the use of design-build to construct streets, highways, public rail transit facilities, or water resources facilities.

This bill would extend authorization to the Nevada County Sanitation District No. 1 to use the design-build process until January 1, 2013 for projects in excess of \$6 million.

B. Fiscal Analysis

Finance estimates this bill would have no state General Fund impact. We note that because the use of the design-build process is at the discretion of the Nevada County Board of Supervisors, no state-funded reimbursable mandate would be created.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	Code
0001/Major Rev	SO	No		-----	No/Minor Fiscal Impact	-----			0001